



PRESENTATION TO BE MADE BY
W. MACK EDMONDSON, ASSISTANT DIRECTOR, INTERNATIONAL DIVISION
U.S. GENERAL ACCOUNTING OFFICE
AT ISA CONVENTION IN ST. LOUIS ON
MARCH 16, 1977

U.S. FOOD EXPORTS: SUPPLYING THE WORLD'S
FOOD NEEDS

Three years ago, in the wake of substantial American grain sales and poor harvests almost everywhere, global hunger and food distribution became a major concern of governments and individuals all over the world. This great concern culminated at the World Food Conference in Rome, in November 1974. Since then, consciousness of this problem has declined and attention has moved to other issues and problems.

But this issue is no less important now. A few months ago, the House of Representatives passed its "Right-to-Food Resolution," which has the virtue and specific intent of pulling governmental attention back into focus in a number of constructive ways. It reaffirms the commitments that Congress has made in a variety of statutes to feed America's own hungry citizens and it stresses the importance of taking hunger and food distribution into account in the formulation of U.S. foreign policy. Overall, it is expected that the Resolution will aid the Congress in improving U.S. actions to help the world's hungry feed themselves.

This year the Congress is also concerned with the need for a flexible agricultural policy. The 1973 Agricultural and Consumer Protection Act--the "farm act"--will expire at the end of 1977. And a major advantage of modifying and renewing this legislation is that it

would continue providing the Secretary of Agriculture with discretionary authority for coping with the various situations and circumstances encountered in changing agricultural markets. The issues to be addressed in 1977 range from target prices for wheat and feedgrains to extending the Food for Peace program to the reserve food stock question.

Also the Congress remains concerned with a number of fundamental food-related policy questions, such as:

- Should the Government intervene in the nation's food export market?, and
- What should be the most important goals of a national food policy?

The General Accounting Office has assisted the Congress in seeking answers to these policy questions and in assessing the policy directions that the United States might take.

I would like to describe GAO's efforts over the past 6 years to assist the Congress in responding to the world's food needs. Recognizing in 1972 the gravity of the international food situation, GAO established a long-range and comprehensive work plan to address many of the food issues. Essentially, the food-oriented studies and reviews of GAO's International Division can be grouped into two broad categories: (1) U.S. commercial export sales and related policy issues, and (2) concessional export sales and food grant program exports.

COMMERCIAL EXPORTS OF AGRICULTURAL COMMODITIES

An important factor affecting the availability of U.S. food for world consumption--and especially for developing countries--is the emphasis the U.S. Government has placed on exporting agricultural

commodities to those countries which are in a position to pay. In this regard, I would like to list some of GAO's reports to the Congress pertaining to U.S. commercial export sales and briefly summarize some of the more important observations and conclusions contained in those reports, as follows:

1. July 9, 1973: "Russian Wheat Sales and Weaknesses in Agriculture's Management of Wheat Export Subsidy Program." (B-176943)
2. February 12, 1974: "Exporters' Profits on Sales of U.S. Wheat to Russia." (B-176943)
3. March 22, 1974: "Impact of Soybean Exports on Domestic Supplies and Prices." (B-178753)
4. April 29, 1974: "U.S. Actions Needed to Cope With Commodity Shortages." (B-114824)
5. April 11, 1975: "The Agricultural Attache Role Overseas: What He does and How He Can be More Effective for the United States." (B-133160)
6. March 3, 1976: "Agriculture's Implementation of GAO's Wheat Export Subsidy Recommendations and Related Matters." (ID-76-39)

In all of these reports and in appearances before congressional committees, we expressed concern over the Government's management of agricultural exports. And we were especially concerned over the domestic consequences of large grain purchases by nonmarket economies, such as the Soviet Union's now-historic purchases in 1972. This concern led us to recommend in our July 1973 Russian wheat report that the Secretary of Agriculture:

- Establish a reporting system in cooperation with private exporters so that the Government would be informed of impending large sales to nonmarket economies. Such a system, we believed, would enable the Government to consider the effects of these sales on the U.S. economy.
- Develop a cohesive export policy giving consideration to domestic needs, commercial customers, and concessionary exports.

Because of the dramatic changes in the world food supply-demand situation, resulting in part from the 1972 Soviet sales, we also asked Congress in the 1973 wheat report to consider requiring executive branch agencies to develop definite ground rules so that expected benefits from exports could be appropriately weighed against their impact on various segments of the domestic economy.

You will recall that around the period 1972-73, when so much of the world experienced poor crops because of adverse weather, something extraordinary happened to U.S. agriculture. Our familiar "farm problem" disappeared and in its place emerged the "food crisis." And this caused a major policy shift: U.S. agricultural policy emphasis shifted from surplus food disposal (with farm sector income augmented through government payments, price supports, and untilled acreage) to encouraging all-out production to meet an incredibly expanding export demand. This was the beginning of the Department of Agriculture's hands off, full-production, market-oriented agricultural policy which continues in effect today.

In our soybean and commodity shortages reviews, we found and reported to the Congress, in 1974, the need for accurate, timely, and reliable agricultural export reporting as well as more rational and responsive agricultural commodity decisionmaking. Our concern over these issues emanated from the domestic and international disruptions of the 1972 wheat sales, the 1973 soybean embargo, and the 1974 large-scale sales of corn and wheat to the Soviet Union. In each case, we found that crisis-oriented and ad hoc decisionmaking had prevailed, virtually without regard to an appropriate national policy.

We were also concerned over the nature and efficiency of market development programs for U.S. agricultural products. In this regard, our review of the agricultural attaches' role overseas was prompted by at least three major factors: (1) interest generated in their activities resulting from the unexpected volume of Soviet wheat purchases in 1972; (2) the growing concern over the adequacy of information on world food supplies and demands; and (3) the Secretary of Agriculture's emphasis on attaches as "salesmen." We found and reported to the Congress a number of improvements that Agriculture could and should make in order to increase the effectiveness of its foreign agricultural attaches.

In response to congressional recommendation, we made a follow-up review of our 1973 Russian wheat report recommendations to determine the extent of the Department of Agriculture's compliance. As part of our review, we evaluated the Department's export reporting system, its domestic and international forecasting capability, its supply management policy, and circumstances surrounding October 1974 and July 1975 sales of U.S. grain to the Soviet Union. We also surveyed 325 agricultural exporters concerning the effectiveness and impact of the Department's export reporting system and related agricultural short-supply management systems. Our report has not been finalized, but we expect to advise the Congress that: Agriculture's export reporting systems needs to provide more accurate and timely data on projected foreign food demand; policy needs more cohesion and the flexibility to meet both domestic and international objectives and changing food supply/demand conditions; and policy implementation often has been ill-timed and generally suffered from an absence of systematic decisionmaking.

The foregoing report should prove to be especially useful to the Congress in its deliberations of the Agricultural Act of 1977. We expect to recommend that the Congress consider improving and strengthening the

Department of Agriculture's export reporting system to include an effective early warning system and also consider establishing a food export policy that protects the interests of both producers and consumers.

FOOD AID: CONCESSIONARY SALES
AND FOOD GRANT EXPORTS

In September 1974 we issued an especially important report having long-range implications. It was entitled "Increasing World Food Supplies--Crisis and Challenge," and in it we discussed the principal issues affecting the world food situation and the responses needed to deal with these problems. The report was centered on the challenge of feeding an increasing world population.

Published just 2 months before the World Food Conference, its purpose was to highlight the significance of the world food situation and to assist U.S. officials preparing for and attending the conference. Our principal observations included:

1. World food supplies are unequally distributed, and many developing countries can neither grow enough food for their people nor pay for needed food imports.
2. Certain multilateral assistance programs may not be placing appropriate emphasis on agriculture programs.
3. The world food problem is an international responsibility; thus, the problems of increasing food production in developing countries should be addressed on an international basis.
4. The United States faces the challenge of generating international cooperation to meet immediate food needs.
5. The United States needs to assist in expanding agricultural production in developing countries and in motivating them to improve their capabilities for providing food adequate for their population growths.

Recognizing a need to promote stability in the U.S. overseas food donation program--the Public Law 480 program--we studied the constraints and problems affecting this program. Our work focused mainly on the need for a new approach to sustain overseas food donations in a period of expanding commercial export demands, poor grain harvests, and exhaustion of surplus agricultural commodities. As many of you know, the program was dependent on residual supplies remaining after satisfying domestic requirements, including adequate carryover stocks, and anticipated exports for dollars.

Expanding export demand, we found, had limited the quantities of food available for the P.L. 480 program and thereby caused termination, cutbacks, and suspensions in overseas feeding programs. Moreover, uncertainty over the availability of grain supplies had delayed decisions on commodity and funding levels, which in turn caused difficulties in planning and carrying out the program.

Our report to the Congress in April 1975 noted an administration-supported proposal to amend Public Law 480 to enable the Secretary of Agriculture to give the program a larger share of the exportable supply of agricultural commodities. We suggested, however, that Congress might wish to consider whether broader legislation was needed to free the program from dependence on residual commodity availability.

It is interesting to note that the International Development and Food Assistance Act, Public Law 94-161, (Dec. 20, 1975), recognized the need to ensure a more stable supply for the overseas food donation program. The Act provides that a minimum quantity of 1.3 million tons of agricultural commodities shall be made available for the overseas donation program

before any commodities are provided under the concessional sales program. Thus, the Act does not go so far as to place the donation program on an equal footing with commercial exports. But it does give the program a higher priority.

After studying the adequacy of U.S. food donations, we turned our attention to the effect of such donations on recipient countries. In April 1976, we reported to the Chairman, Special Subcommittee on Investigations, House Committee on International Relations, on the impact of U.S. development and food aid in selected developing countries.

Our report resulted from a brief study of the impact of Public Law 480 and development programs in the Philippines, India, Korea and Chile. We observed that:

- The Agency for International Development had refocused its development assistance programs to reach poor people more directly than the older form of assistance, which helped people through "trickle down" aid.
- The Title II, Public Law 480, food donation program was providing nutritive assistance and was reaching large numbers of poor people in the three countries with ongoing programs.
- Except for certain indirect aid, it was difficult to say that the Title I, Public Law 480, concessional sales program was helping the poor.

THE UNITED STATES' ROLE

Because of its agricultural and technical know-how, the United States remains in a position to exercise leadership in the fight against world hunger. Through its commercial exports, food aid programs, country-to-country bilateral assistance, and participation in multilateral organizations, the United States has done much to help. In fact, it has done so much to help that some critics blame the United States for "dumping" its food surpluses abroad and thereby discouraging food-deficit countries from producing a greater share of their own food.

